

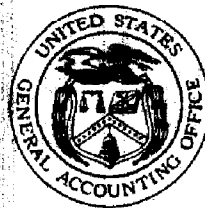
GAO

Report to the Chief Administrative
Officer of the House of Representatives

April 1995

FINANCIAL AUDIT

Statement of Accountability of the House Office of Finance for Fiscal Year 1993





United States
General Accounting Office
Washington, D.C. 20548

Comptroller General
of the United States

B-259570

April 4, 1995

Mr. Scot M. Faulkner
Chief Administrative Officer
House of Representatives

Dear Mr. Faulkner:

As requested by the Acting Director of the former Office of Non-Legislative and Financial Services, we audited the accompanying Statement of Accountability for Appropriations and Other Funds arising from cash transactions of the Office of Finance, House of Representatives, for the fiscal year ended September 30, 1993.

The House Office of Finance performed receipt and disbursement activities for certain legislative branch organizations within the House of Representatives. These organizations included the House Member staffs, committees, Capitol Police, and revolving funds listed in the Statement of Accountability for Appropriations and Other Funds. The Statement of Accountability does not include appropriated funds disbursed by the Sergeant at Arms¹ for Member salaries and benefits and appropriated funds disbursed by the Architect of the Capitol for utilities and maintenance of the Capitol and related office buildings.

During the period covered by our audit, the Office of Finance maintained and relied on comprehensive, detailed manual financial records as the primary basis for its Statement of Accountability. Because the Office of Finance maintained comprehensive, detailed manual financial records as the primary basis for its Statement of Accountability, we audited those records to reach our conclusion as to the reliability of the House Finance Office's Statement of Accountability and the effectiveness of internal controls.

The computer system serving the Office of Finance is maintained by the House Information Systems (HIS). This system duplicates much of the manual recordkeeping that is performed by the Office of Finance's staff. Until January 4, 1995, HIS was a separate unit within the House of Representatives administered by the Committee on House Administration. Computerized data maintained for House Office of Finance represents only a small portion of HIS data activities. HIS serves as a data center for

¹Financial Audit: House Office of the Sergeant at Arms—Periods Ended December 31, 1993 and June 30, 1993 (GAO/AIMD-95-63, March 30, 1995).

Members, committees, officers, House legislative support offices, and other legislative branch organizations. Additionally, the U.S. Treasury checks for other House units are printed at HIS.

We found

- the Statement of Accountability was reliable in all material respects;
- internal controls in effect on September 30, 1993, provided reasonable assurance that losses, noncompliance with laws and regulations, and misstatements material to the statement of accountability would be prevented or detected; and
- no material noncompliance with laws and regulations we tested for 1993.

The following sections outline each conclusion in more detail and discuss the scope of our audit.

Opinion on the Statement of Accountability

The Statement of Accountability for Appropriations and Other Funds was prepared on a cash basis, which is a comprehensive basis of accounting other than that required by generally accepted accounting principles. The statement presents fairly, in conformity with the cash basis of accounting described in note 2, the receipts and disbursements of the Director, House Office of Non-Legislative and Financial Services, for appropriated and other funds arising from cash transactions of the House Office of Finance for the fiscal year ended September 30, 1993.

Opinion on Internal Controls

The internal controls we evaluated were those designed to

- safeguard assets against loss from unauthorized use or disposition;
- assure the execution of transactions in accordance with laws and regulations; and
- properly record, process, and summarize transactions to permit the preparation of financial statements and to maintain accountability for assets.

Those controls in effect at the House Office of Finance on September 30, 1993, provided reasonable assurance that losses, noncompliance, or misstatements material in relation to the financial statements would be prevented or detected.

Compliance With Laws and Regulations

Our audit tests for compliance with selected provisions of laws and regulations disclosed no material instances of noncompliance. Also, nothing came to our attention in the course of our other work to indicate that material noncompliance with such provisions occurred.

Objectives, Scope, and Methodology

Management is responsible for

- preparing the Statement of Accountability in conformity with the cash basis of accounting described in note 2,
- establishing and maintaining internal controls to provide reasonable assurance that the internal control objectives mentioned above are met, and
- complying with applicable laws and regulations.

We are responsible for obtaining reasonable assurance about whether (1) the financial statements are reliable (free of material misstatement) and presented fairly in conformity with the cash basis of accounting described in note 2 and (2) relevant internal controls are in place and operating effectively. We are also responsible for testing compliance with selected provisions of laws and regulations.

In order to fulfill these responsibilities, we

- examined, on a test basis, evidence supporting the amounts and disclosures in the Statement of Accountability;
- assessed the accounting principles used by management;
- evaluated the overall presentation of the Statement of Accountability;
- evaluated and tested relevant internal controls which encompassed the following areas: treasury, receipts, payroll, other expenditures, and financial reporting;
- reviewed and tested the safeguarding controls used by the Office of Finance;
- confirmed House of Representatives' cash balances with the Department of the Treasury;
- reconciled receipts and expenditure data produced by the computer system at the Office of Finance with related manual ledgers, traced expenditures and receipts to supporting documents on a statistical sampling basis, and traced receipts to relevant revolving fund records; and
- tested compliance with selected provisions of
 - the Legislative Branch Appropriations Acts for fiscal years 1991, 1992, and 1993 (Public Laws 101-520, 102-90, and 102-392, respectively);

-
- the Department of the Treasury financial reporting requirements for disbursing officers (Treasury Financial Manual, volume I, section 2-3100);
 - laws and implementing Office of Personnel Management regulations for employee benefits and employer costs (5 U.S.C. 8334, 8422, 8423, 8707, 8708, and 8906);
 - laws and implementing Internal Revenue Service regulations on federal income and social security tax withholdings (26 U.S.C. 3402 and 3101); and
 - the Legislative Branch Appropriations Act, 1977, (Public Law No. 94-440), authorizing voluntary withholding of state income taxes.

We limited our work to accounting and other controls necessary to achieve the objectives outlined in the opinion on internal controls.

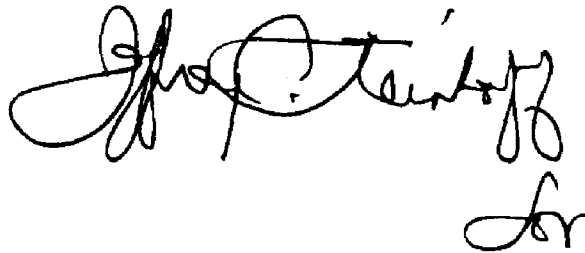
Because of inherent limitations in any system of internal control, losses, noncompliance, or misstatements may nevertheless occur and not be detected. We also caution that projecting any evaluation to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate.

We performed our audit in accordance with generally accepted government auditing standards. We completed our audit work on January 4, 1995.

As adopted in the Rules of the House of Representatives for the 104th Congress, the Office of Inspector General was directed to coordinate and contract with an independent accounting firm, or firms, for a series of audits that will result in a consolidated report of the financial operations of the House, including the House Office of Finance. Such a consolidated report should provide valuable information on the overall results of operations and current financial position of the House of Representatives.

We continue to strongly encourage all federal entities to prepare and have audited comprehensive financial statements as an integral facet of their financial management program.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Charles A. Bowsher", with a stylized flourish below it.

Charles A. Bowsher
Comptroller General
of the United States

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Financial Statement

Statement of Accountability for Appropriations and Other Funds

Unexpended balance, September 30, 1992		\$ 90,334,122
Appropriations and Receipts		
Current appropriations (net of rescissions note 3)	\$708,992,534	
Revolving funds and suspense account receipts		
House Stationery Revolving Fund	2,393,194	
House Restaurant Revolving Fund	9,699,157	
House Beauty Shop Revolving Fund	288,888	
House Barber Shop Revolving Fund	56,685	
House Recording Studio Revolving Fund	19,669	
Page Revolving Fund	306,754	
Suspense Account--Other	66,174	
Receipts to be deposited in the general fund of the U.S. Treasury	<u>161,708</u>	<u>721,984,763</u>
Total Funds Available		812,318,885
Expenditures and Transfers		
Disbursements for salaries and other expenses, less refunds and voided checks	728,494,341	
Transfers		
Fund transfer to Senate (note 4)	500,000	
Receipts deposited in the general fund of the U.S. Treasury	51,927	
Gifts to the United States for reduction of the public debt	109,781	
Withdrawn appropriations transferred to the general fund of the U.S. Treasury (note 5)	<u>3,950,804</u>	<u>733,106,853</u>
Unexpended Balance, September 30, 1993		\$ <u>79,212,032</u>

The accompanying notes are an integral part of this statement.

Notes to the Financial Statement

Note 1. Description of Entity

The Office of Finance was an office under the Clerk of the House until February 1993. From February 1993 until January 4, 1995, the House Office of Finance was under the jurisdiction of the Director of Non-Legislative and Financial Services. Disbursing authority, however, remained with the Clerk of the House. Subsequently, on January 4, 1995, the Director's responsibilities were transferred to the Chief Administrative Officer of the House of Representatives.

The House Office of Finance performs receipt and disbursement activities for legislative branch organizations within the House of Representatives. These organizations include the House Member staffs, committees, Capitol Police, and revolving funds listed in the Statement of Accountability for Appropriations and Other Funds. The Statement of Accountability presents a summary of financial transactions administered by the House Office of Finance for the Clerk. The Statement of Accountability does not include appropriated funds disbursed by the Sergeant at Arms for Member salaries and benefits and appropriated funds disbursed by the Architect of the Capitol for utilities and maintenance of the U.S. Capitol and related office buildings.

Note 2. Significant Accounting Policies

All transactions, including appropriations, receipts, expenditures, and transfers of the general and revolving fund accounts, that are under the purview of the House Office of Finance are maintained on a cash basis. This basis of accounting differs from generally accepted accounting principles, which require that revenues and expenses be recognized on an accrual basis. The cash basis of accounting recognizes transactions when cash is received or disbursed. The accrual basis of accounting recognizes revenues when earned and expenditures when goods or services are received.

Note 3. Rescinded Appropriations

The Legislative Branch Appropriations Acts for fiscal years 1993 and 1994 (Public Laws 102-392 and 103-69, respectively) rescinded the following appropriations that otherwise would have been available in fiscal year 1993.

No-year funds appropriated in 1991	\$ 7,505,680
No-year funds appropriated in 1992	21,891,717
One-year funds appropriated in 1993	<u>1,500,000</u>
Total	<u>\$30,897,397</u>

Note 4. Transfer of House Funds to the Senate

During fiscal year 1993, the House transferred to the Senate \$500,000 of funds appropriated for fiscal year 1993 for Capitol Police salaries and expenses under authority provided by the Legislative Branch Appropriations Act of 1993, Public Law 102-392, 106 Stat. 1703, 1711.

Note 5. Withdrawn Appropriations

During fiscal year 1993, the House transferred to the U.S. Treasury \$3,950,804 of one-year funds appropriated for fiscal year 1991. Under 2 U.S.C. 102a, the House is required to withdraw and transfer the unexpended balances of fixed period appropriations at the end of the second year following the year of the fixed period appropriation. Any unpaid obligation chargeable to a withdrawn appropriation is paid from any appropriation for the same general purpose that is available for disbursement when the payment is made.

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